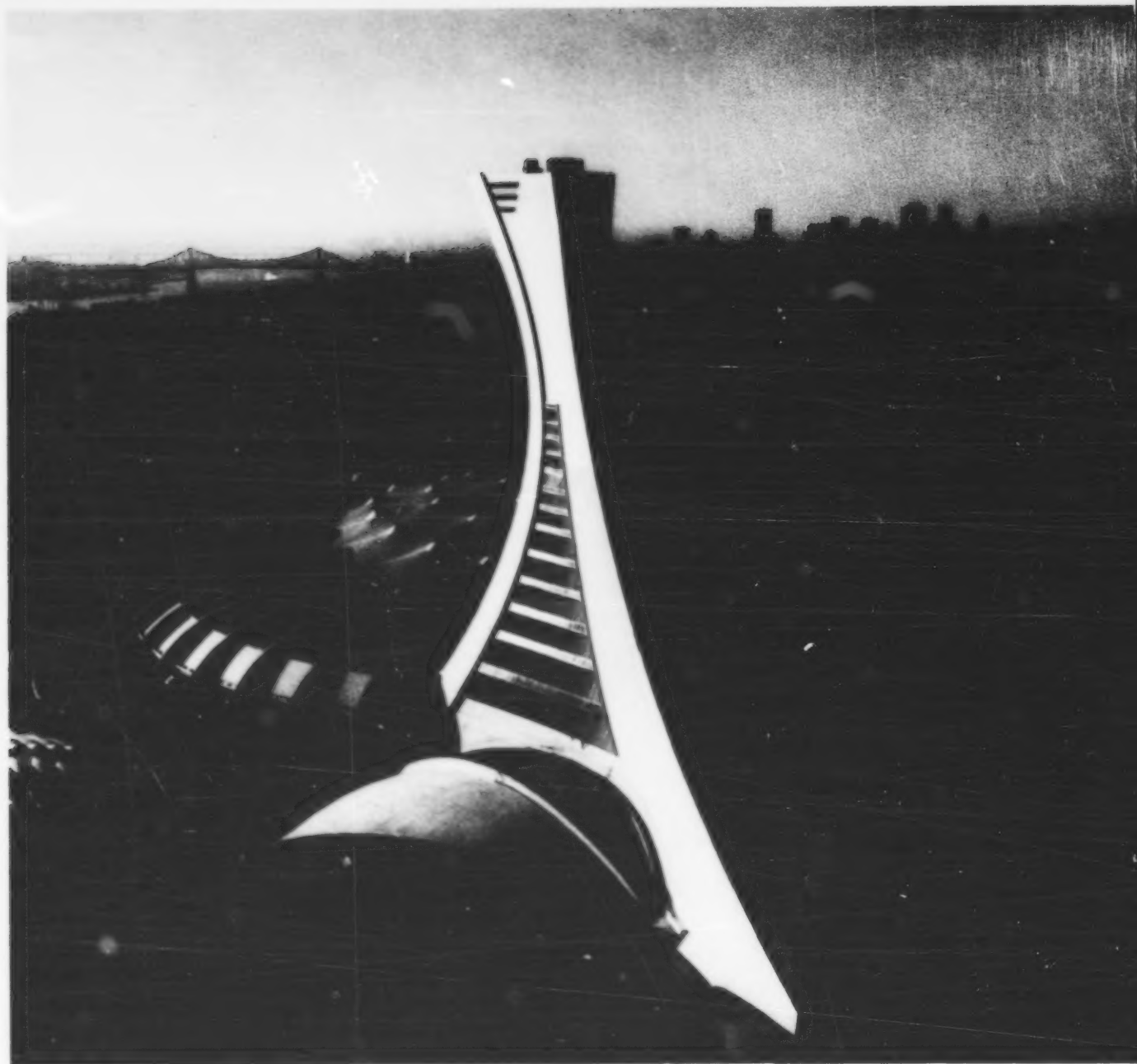




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Montréal, March 8, 1988



Mr. Gilles Rocheleau

Mr. Gilles Rocheleau
Minister of Supply and Services
and Minister Responsible for the
Régie des installations olympiques
Gouvernement du Québec

Dear Sir:

On behalf of the Board of Directors and as President of the Régie, I hereby submit the twelfth annual report of the Régie des installations olympiques.

This report has been prepared pursuant to the provisions of section 28 of An Act respecting the Régie des installations olympiques, and covers the activities carried out at the Olympic Park during the 1986-87 fiscal year, from November 1, 1986 to October 31, 1987.

Respectfully submitted,

A handwritten signature in dark ink, which appears to read "Jean Deschamps". The signature is fluid and cursive, with a large initial "J" and a stylized "D".

Jean Deschamps
President and General Manager



Financial Results

The year ended October 31, 1987 represents the Régie's most successful to date in terms of financial results. The variance of \$4 million between expenditures of \$27 million and revenues of \$23 million represents the smallest deficit ever recorded by the Régie. In addition, these results do not reflect the benefits of a full year's use of the covered Stadium or the observation deck, which opened late in November 1987.

The slight drop in revenue of \$260,000 from the preceding year is due to various one-time events that were not repeated. Tighter and more efficient management reduced expenditures by approximately \$720,000 (\$530,000 of this amount being salaries and service contracts, and interest expense decreased by \$190,000). The gouvernement du Québec provided a grant

of \$4,030,000 to cover the deficit, an amount that represented only 14.8% of the budget; in other words, the Régie's activities generated revenues of \$23 million, or 85.2% of its annual budget.

As in previous years, the Olympic Village, which was converted into an apartment complex with two floors of stores and offices at the base of the pyramids, was very profitable, generating a surplus of \$5 million. Although the sports installations (the Stadium, Pools and Velodrome) are used for commercial events, they again incurred a \$9-million deficit, which was fortunately reduced by the considerable profits from the Olympic Village.

Revenue from the tax on tobacco increased to \$117.7 million in 1987 and was used to pay interest on debt of \$47 million, to repay \$34 million of principal and to defray \$36 million of the cost

of the tower and roof.

In 1987, the structural work on the installations drew to an end, and the work begun by Lavalin in 1985 was essentially completed. The tower was finished, the funicular installed and the three floors of the observation deck completed. The roof was put in place and all the equipment required to operate it installed.

Despite an abbreviated construction schedule, Lavalin successfully completed the work after three months of suspense, so that the first game of the baseball season could be played in a covered stadium on April 20, 1987.

In another important development, Gilles Rochelleau, Minister Responsible for the Régie des installations olympiques, announced in April that the Government would be investing \$12.8 million for further work related to tourism and consumer shows and concerts.

Outlook

Now that the Stadium is protected from cold and inclement weather and can be used all year round, attendance and revenues will increase significantly. Producers of major shows, who previously had to take the uncertainties of the weather into account, are now free to plan concerts and shows attracting crowds of 30,000, 50,000 or even 70,000.

Because of the unusual height and space available in the Stadium, large-scale consumer shows can be held in the winter, when the Stadium would otherwise stand idle. The covered Stadium is expected to generate considerable revenues and to offset the annual deficit of \$4 million accordingly.

The world's tallest inclined tower will become the symbol of Montréal and will soon be attracting a million visitors a year. It will

represent the largest source of revenue derived from the Olympic Park's various operations and will also reduce the deficit considerably.

The past year has given the Régie two major infrastructures that will improve the profitability of its installations: a roof on the Stadium and an observation deck atop the tower. These two attractions will begin bearing fruit in 1988.

The future looks bright, but it will look even brighter once the fate of the three unoccupied or underused infrastructures has been decided. These are the unused area at the base of the tower, next to the Pools, the 15 stories of the tower, and the Velodrome, whose concept will have to be rethought entirely. In the year to come, the Régie will be addressing these matters to determine those functions that are best adapted to the sites and capable of generating a sure profit.

As already stated, the \$9-million loss stems solely from the operation of the sports installations. Thus, any revenue that reduces costs is a positive contribution, and it is from this standpoint that the Régie is negotiating with promoters interested in building an aquatic park in the area next to the Pools. Rental income from this project would be used to offset expenditures. The interior of the 15 floors of the tower has not been completed, as the tenant and its needs have yet to be determined; but it is clear that any project must be self-financing and offer an assured level of profitability.

The problem posed by the Velodrome is more complex. It was created for indoor cycling, a sport that appears to be an endangered species, given the increasing popularity of outdoor cycling and the growing demand for cycle paths alongside green spaces. Although the Velodrome

has been used for a limited number of sports events, it has seen mainly consumer shows and mass gatherings, and the Régie has decided it must develop a new role for this architectural masterpiece. The building's versatility is a definite asset, but it is not for the Régie to try to revive a sport whose popularity is fading rapidly. Instead, the Velodrome will have to be given a new purpose that meets the Régie's financial and cultural criteria.

One of these criteria is that the olympic installations represent an invaluable national resource serving the entire community and, like our educational institutions, have a fundamental role to play in the education of our youth.

Overall, the people of Québec are delighted that our facilities have finally been completed successfully and without any major accidents. Any further investments in the Olympic Park will be made with a view to immediate profitability. With a variance of only 15% between revenues and expenditures, the Régie's operations are approaching the break-even point.

I am pleased to illustrate this achievement with one of the largest components of the budget, the cost of manpower, which has been reduced by 30 percent from 1981 to 1987. During this period, the number of employees decreased from 328 to 231. The Régie's employees are dedicated and enthusiastic. Our vice-presidents give the best of themselves in striving to meet the many challenges that arise each day. They and their employees are responsible for the change in attitude toward the Régie and the respect it now enjoys.

The people of Québec are proud of their Stadium and Olympic Park, and the Régie enjoys a new image. Memories of exorbitant costs and extravagant spending have gradually been replaced by

the sense of pride most Québécois take in the completed installations. Numerous press conferences held to keep the public informed of developments, successful completion of construction, and constant efforts by the Régie's official spokesman have restored the public's confidence in the Olympic Park. This very difficult task of ensuring the Régie's credibility is performed by our Public Relations Director, Pierre Durand, who is to be commended for his excellent work.

Acknowledgments

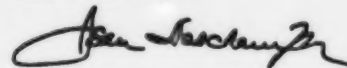
I would like to pay special tribute to Lucien Saulnier, who completed his mandate as a Director during the year. As President in 1981 and 1982 and as a Director for another five years, Mr. Saulnier served the Régie with a keen sense of the Government's best interests.

I am pleased to welcome his replacement, Raymond Boucher, and to offer him my best wishes for success. With extensive experience in marketing and advertising, Mr. Boucher will add a valuable new dimension to the important function of promoting our facilities.

I would also like to express my appreciation to the Construction Committee — O. Jean Gratton, Eng., Chairman, and his colleagues Roger Beauchemin, Eng., Hervé Belzile, C.A., and Jean Bourassa, Eng. — for their inestimable contribution in performing the follow-up of the contract awarded for the completion of construction.

Finally, to the Régie's directors, management personnel and employees, I offer my sincere thanks for their unstinting support and dedication.

Jean Deschamps



President and General Manager
March 8, 1988

Several great moments in the saga of the Olympic Stadium took place in 1986-87. Construction of the Stadium had been making headlines for more than 10 years. Yet only during the past year, when these historic events took place, was it possible to assess the interest Montréalers and Québécois take in their Stadium, and the entirely justifiable pride it has engendered.

The beginning of the year saw a series of spectacular maneuvers indicating that a dream more than a decade old was on the verge of becoming a reality. At any time on November 16 and 17, 1986, a crowd of several hundred curious onlookers could be seen braving the late-autumn chill to watch the hoisting of the caisson floor. This 380-tonne structure, consisting of 11 steel caissons that were assembled on the ground, was lifted 152 metres (500 feet) by a hoisting system consisting of cables and pulleys. It was the first time an operation of this kind had ever been attempted. It took almost 48 hours to hoist this structural component of the tower and put it in place. It forms the top of the niche where the retractable roof is stored when it is not covering the Stadium.

A few days later, on November 26, in the middle of the night, Montréalers watched the fabric roof proceed, at a snail's pace, on a trailer 68 metres (225 feet) long, from the warehouse in the Montréal suburb of Ville Saint-Pierre, where it was assembled, to the Olympic Stadium.

Once the tower of the Stadium reached its highest point, a topping-off ceremony was held on February 3, 1987. This involved placing a spruce tree at the top of the tower, 169 metres (556 feet) above the playing field, to celebrate the end of the structural work.

From April 11 to 16, thousands of curious onlookers watched the laborious process of hoisting,

deploying and anchoring the largest retractable fabric roof in the world. These operations were completed in time to ensure that the first game of the baseball season would be played in a covered stadium. Despite a public transit strike, more than 52,000 people attended this event on Monday, April 20.

During the summer, the tower of the Stadium was finally freed of the cranes that had been keeping it company for several years, and the exterior surface was painted. The next development was the opening to the public of the famous funicular, which carries sightseers to the three-story observation deck atop the tower.

This long-awaited moment finally arrived on November 21, 1987. A full report on the operation of the funicular and the observation deck will be given in next year's annual report, but at this point it can at least be said that, between the day the funicular opened to the public and February 1, 1988, when it closed for annual maintenance — a period of just over two months — more than 38,000 people visited the tower. These extremely encouraging results indicate that the Stadium's tower is destined to be a major tourist attraction.

The Stadium

Last year marked the Stadium's first season with a roof, and this was no doubt the reason for the large number of spectators at the Montréal Expos' home opener and the first games of the season. But the Expos' outstanding performance quickly took over from the initial curiosity, so that the club ended the season with more than 1.8 million spectators, an increase of 700,000 over the previous year.

But not everyone was destined to enjoy the fair weather under the Stadium's roof. Unbeknownst to them, the several thousand spectators who watched the Montréal Alouettes play on

November 9, 1986, were attending the club's last game. Football fans unfortunately did not have the opportunity to see Canadian Football League teams compete in the covered Stadium. The demise of the Alouettes ended a decade of close collaboration with the Olympic Park, in which the team knew some of its moments of glory. The financial impact of this loss was offset, however, by an impressive increase in the attendance at baseball games.

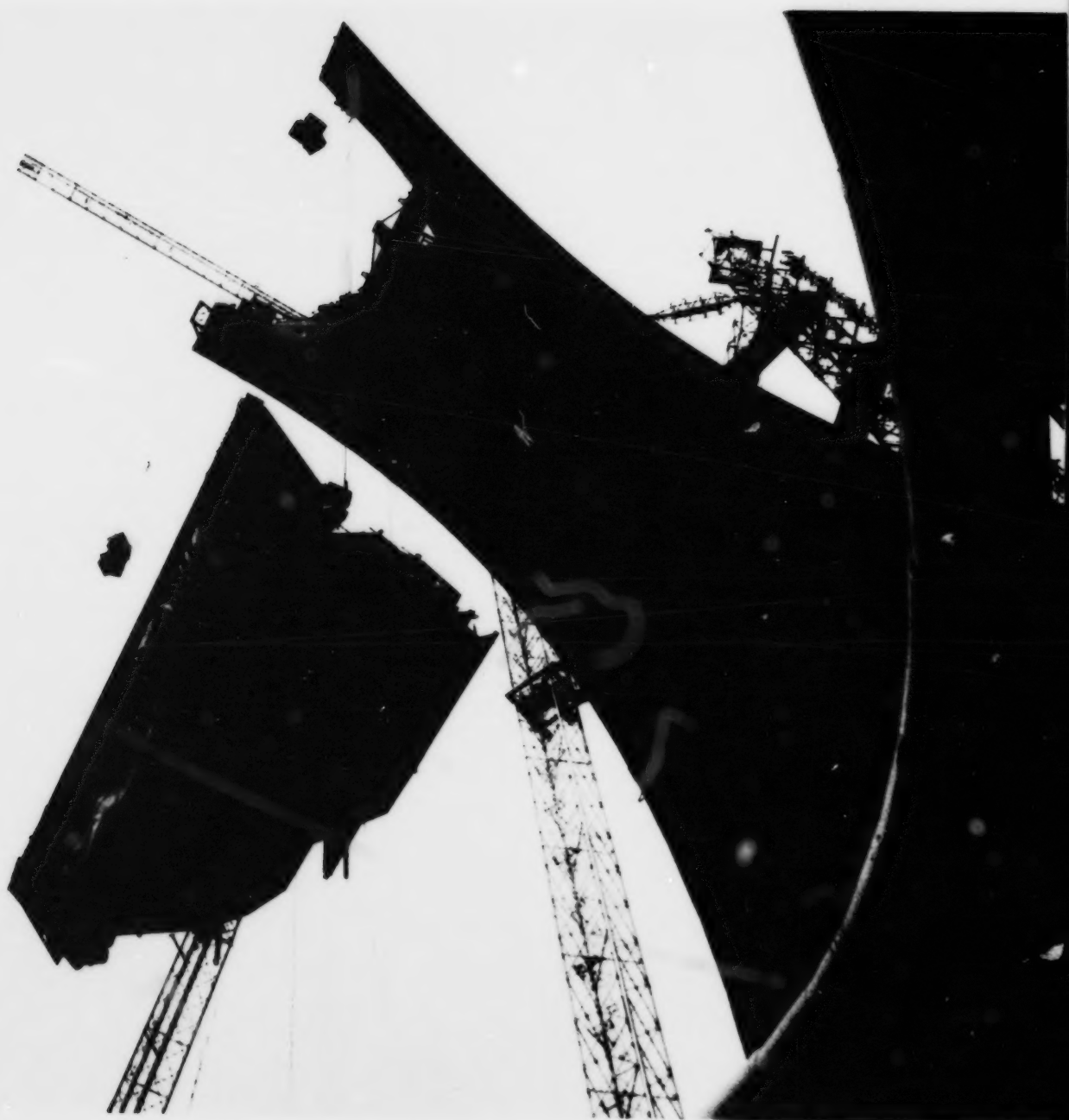
The SuperMotocross Laurentide again featured an exciting two-day program of competitions, a format inaugurated on its tenth anniversary in May 1986. Close to 83,000 people enjoyed these thrilling competitions, which have quickly become classics, although new attractions are added each year.

Although the calendar of sports events is very full in the summer season, other events, such as mass gatherings and rock concerts, can still be held in the Stadium. A meeting of Jehovah's Witnesses attracted more than 50,000 people. Almost 110,000 people attended two concerts, one by British singer David Bowie and the other by the Irish rock group U2.

The roof of the Stadium ensures that activities like these will not have to be cancelled, because performances can take place as scheduled, come rain or shine, and preparations are no longer restricted by variable weather conditions. It is now far easier to include extremely popular concerts such as these, or any other event, in the Stadium's calendar of activities.

The Velodrome

As in the preceding fiscal year, the Velodrome's excellent reputation as an exhibition hall ensured that it was booked for a variety of commercial events, which totalled close to four months of the year. Nevertheless, despite



extremely good attendance at the National Home Show, the return of the Salon international de la Jeunesse and the addition of two new consumer shows, attendance dropped slightly for this area of activity. Certain shows did not return this year and other activities, such as the casino held during the Grey Cup Week, obviously could not be held a second time.

Interest in the group cycling program increased, with almost 14,000 people taking advantage of it. Competitive cycling attracted roughly the same number of users.

The Pools

Attendance at the Pools was up significantly. During the last half of 1985-86, activities were limited to certain locations in the complex, as the Stadium tower was being erected above the Pools. The diving and competition pools were closed for many months, and total attendance for the complex dropped by one-half in comparison with the preceding year.

Only the first four months of the past year were affected by construction restrictions, and free-swim and physical-fitness activities are now back to their previous levels. The educational program "La journée sportive au Parc olympique", which consists of a full day of activities for elementary school children, was not offered until the end of the fiscal year. Swimming competitions returned to the agenda, notably the Esso Cup provincial competitions.

The Pools administration is also responsible for the Outdoor Areas, including a 400-metre track, used for competitions held by the Fédération d'athlétisme du Québec, a playground and a softball diamond used throughout the summer.

The buildings of the Olympic Park also served as locations for various films made during the year.

The fluid lines of the Velodrome and the Pools became a dream-like setting for "The Great Land of Small", one of the films in Roch Demers' series "Tales for All."

The Village

The residential portion of the Olympic Village was again fully occupied, and the commercial portion had a 95% occupancy rate. This is an outstanding performance, especially as it repeats itself year after year. The vitality of this veritable community is due to the 2,000 residents who occupy the 980 apartments and the 1,000 people who work in the various offices. These offices are located on the first two floors of the pyramids and cover close to 18,500 square metres (200,000 square feet). A full range of services is offered, and this gives the Olympic Village its distinctive atmosphere. Major renovations were made to the Village pool, which is now even more appealing to residents.

The Centre Paul-Sauvé

In addition to very adequately playing its role as a neighborhood sports centre, the Centre Paul-Sauvé is the home of the popular Salon des sciences occultes and is used for meetings and functions of all kinds. It also has a well-established reputation for bingo; close to 150,000 people attended 308 bingo nights in the past year. For the first time, the Salon des sciences occultes was held on two occasions, attracting more than 50,000 visitors.

Combat sports, such as boxing, kick-boxing and wrestling, were also held at the Centre, although given the prevailing context in this field of activity, the number of events was reduced considerably. Like the Olympic Park, the Centre Paul-Sauvé served as the location for a film, in this case a music video made by the Montréal group The Box.

An Act respecting the protection of non-smokers in certain public places

The Régie's Human Resources Division, which is responsible for ensuring that the non-smoking law is respected, installed signs that prohibit smoking in designated areas.

The Régie also appointed a person to oversee the application of the law. In the near future, he will be designating, from among Régie personnel, a number of inspectors who will be responsible for ensuring that the law is respected throughout the installations.

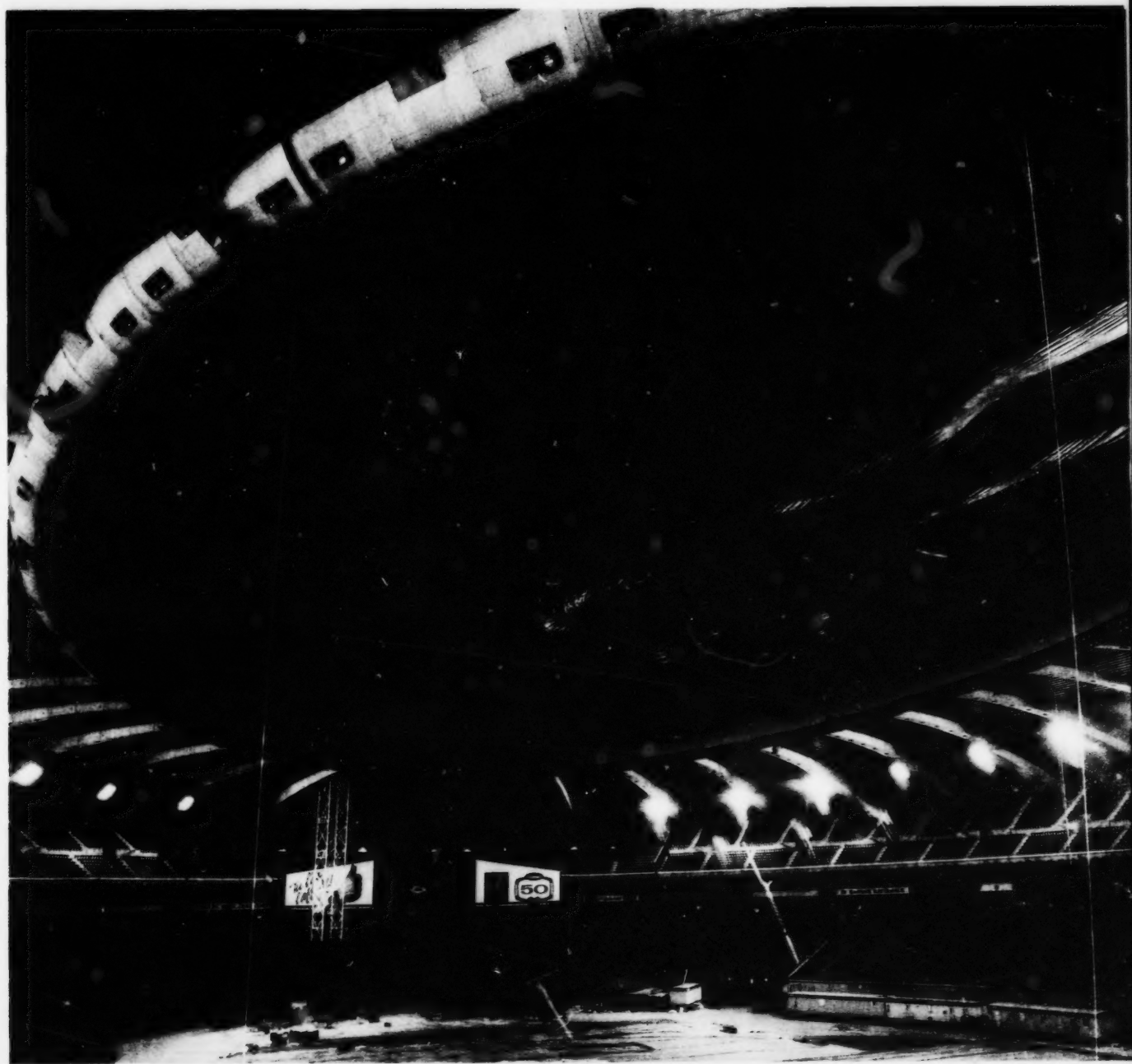
Commercial Activity

In April, the gouvernement du Québec allocated new credits required to complete the observation deck and Tourist Reception Centre in the Stadium tower, to make the changes required so that events of all kinds can be held on the playing field, and to complete the link between ground level of the Stadium and the first floor of the tower. These credits also include funds to design a new sign system for the Olympic Park, improve access to the parking areas, install special exterior lighting on the tower and develop new permanent advertising panels.

This advertising generates \$1 million each year, and its contribution to the Régie's revenues could increase as a function of projects new being developed and future commercial infrastructures.

The development of the various rental spaces and products is being carried out efficiently. Revenues from the storage areas were slightly lower than in previous years, but the drop was more than offset by monthly parking permits, event parking and the sale of booklets of parking coupons valid for the entire baseball season.

One-time rental of several boxes



in the Stadium that were not rented for the entire season is also an interesting source of revenue. In fact, it was roughly equivalent to revenue from the rental of 3.5 boxes for the entire season — proof that an arrangement of this kind is ideal for individuals and businesses with limited promotional budgets.

Tourism Services

The increasing pride that Montréalers and Québécois take in their Olympic Park is proved by the number of tours taken: from 90,000 in 1985-86, they rose to 134,000 last year, an increase of 36%. But the desire to see the

Olympic Park is not restricted to people living within Québec's borders by any means. Québécois account for less than 30% of the Régie's visitors, with the remainder coming from across Canada, the United States, and the other continents. Revenues from this activity increased by 42%, and from the sale of souvenirs by 32%.

Two new tourism products were inaugurated during the year. The first is a tour of the huge Olympic Park on a rubber-wheeled tour train, which operates during the summer. The second is a shuttle bus which runs between the Olympic Park and its next-door

neighbor, the Montréal Botanical Garden.

An excellent spirit of cooperation exists between the Botanical Garden and the Olympic Park. The introduction of a shuttle linking these two important sites has paved the way for even closer cooperation, such as joint projects designed to create a major tourist attraction in Montréal's east end.

One last indication of the Olympic Park's dynamic marketing efforts is that tickets for the funicular, the guided tours and the tour train are available from the Ticketron computerized ticket network.



Activities	Events			Participation				
	Days of public activities	In* Out*	Total	Athletes	Public partici- pation	Exhibitors organizers	Spectators	Total
Stadium								
Sports events	84	22	106	8,600		37,800	1,937,205	1,983,605
Commercial events	18	20	38			69,893	293,523	363,416
Total	102	42	144	8,600		107,693	2,230,728	2,347,021
Velodrome								
Sports events	252	5	257	4,098	13,960	1,840	2,208	22,106
Commercial events	68	38	106			27,759	371,494	399,253
Total	320	43	363	4,098	13,960	29,599	373,702	421,359
Pools								
Sports events	6,506 h			8,204	115,564		3,200	126,968
Commercial events	679 h					10,283		10,283
Total	7,185 h			8,204	115,564	10,283	3,200	137,251
Outdoor Areas								
				4,815	16,695			21,510
Guided Tours								
					133,638			133,638
Parking								
					653,923			653,923
				25,717	933,780	147,575	2,607,630	3,714,702

* "In" and "Out" refer to the number of days taken up in installing and withdrawing for events.

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Auditors' Report

To the Minister responsible for the
Régie des installations olympiques

We have examined the balance sheet of the Revenue Fund of the Régie des installations olympiques as at October 31, 1987 and the statement of income for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Revenue Fund of the Régie des installations olympiques as at October 31, 1987 and the results of its operations for the year then ended in accordance with the principal accounting practices described in Note 2, applied on a basis consistent with that of the preceding year.

Raymond Chabot, Martin, Paré

Chartered Accountants

Montréal
December 16, 1987

Revenue Fund Income

Year ended October 31, 1987

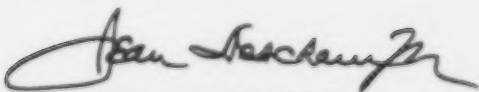
(In thousands of dollars)

	1987	1986
Revenue		
Sports installations		
Rent and entrance fees	\$ 4,840	5,221
Parking	1,548	1,367
Apartments, commercial and office space		
Rent and parking	11,258	10,827
Fees of food concessions	1,434	881
Restaurants	741	1,612
Advertising	1,403	1,516
Energy cost recovered from third parties	776	715
Work and services billed to tenants	407	730
Tours and souvenirs	641	454
Other revenue	106	91
	<u>23,154</u>	<u>23,414</u>
Expenses		
Salaries of regular employees	7,002	7,087
Salaries of casual employees	1,377	1,475
Employee benefits	781	752
Service contracts	5,896	6,275
Materials and equipment rentals	1,591	1,571
Food and beverages for restaurants	234	598
Energy, heating, lighting and air conditioning	4,326	4,097
Insurance, taxes and easement	1,024	975
Self-insurance provision	170	
Professional fees	417	387
Rights, commissions and seals	492	562
Interest on short-term loans	472	723
Interest on long-term debt	58	
Tickets to events for purposes of resale	339	408
Stationery, printing, telephone and messenger service	448	458
Advertising	267	174
Other expenses	419	541
Depreciation	2,030	2,094
Expenses charged to the Construction Fund	(613)	(790)
	<u>26,730</u>	<u>27,387</u>
Operating deficit	(3,576)	(3,973)
Exceptional items (Note 3)	(454)	(523)
Total deficit	(4,030)	(4,496)
Québec Government grant (Note 4)	4,030	4,496
	<u>\$ —</u>	<u>—</u>

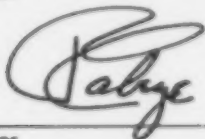
Revenue Fund
Balance Sheet
October 31, 1987
(In thousands of dollars)

	1987	1986
Assets		
Cash	\$ 80	55
Accounts receivable	322	507
Balance of grant receivable	30	821
Advance to Construction Fund	86	65
Inventory	423	589
Prepaid expenses	357	326
Fixed assets, at amortized cost (Note 5)	9,158	9,309
	<u>\$ 10,456</u>	<u>11,672</u>
Liabilities		
Bank advances	\$ 231	167
Short-term loans		6,757
Accounts and commitments payable	4,027	3,588
Self-insurance provision	170	
Long-term debt (Note 6)	5,000	
Deferred revenue	1,028	1,160
	<u>\$ 10,456</u>	<u>11,672</u>

On behalf of the Board,



Director



Director

1. Governing statute and nature of operations

The Régie des installations olympiques, the "Régie", is a mandatory corporation of the Government of Québec, incorporated by an act adopted by the Government of Québec, An Act to incorporate the Régie des installations olympiques.

The Régie was mandated to operate the olympic installations, the Olympic Village and the Centre Paul-Sauvé.

The Régie's revenue must primarily be used for its operations. Any excess funds are to be used for the repayment of loans, advances or other obligations of the Régie concerning the completion of the olympic installations. As soon as the above-mentioned loans and advances and other obligations are satisfied, the olympic installations will become the property of the City of Montréal.

2. Principal accounting practices

Expenses charged to the Construction Fund

The Régie charges to the Construction Fund all direct and indirect administrative expenses related to the completion of installations and to the settlement of preolympic files.

Income taxes

Since the Régie is a mandatory corporation of the Government of Québec, it is not subject to income taxes.

Claims

The Régie does not account for claims against third parties until the receipt of payment.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the average cost method.

Depreciation

Fixed assets acquired for operating purposes are depreciated over their estimated useful lives on the straight-line basis at the following annual rates:

Equipment and electrical appliances	• 20%
Outside electronic display boards	• 10%
Specific and leasehold improvements	• Term of Régie's tenant's lease for leased space and 20% for others
Artificial turf — Stadium	• 12½%
Rolling stock	• 10% and 26½%

Commitments payable

The Régie accounts for goods as expenses upon the issuance of purchase orders.

3. Exceptional items

	1987	1986
Proceeds from claims	\$ 150	57
Major repair expenses	(604)	(580)
	<u>\$ (454)</u>	<u>(523)</u>

**Revenue Fund
Notes to Financial
Statements**

October 31, 1987

(Tables are in thousands
of dollars.)

4. Québec Government Grant

The grant paid by the Québec Government as financial assistance for the Régie to cover the deficit was determined as follows:

		1987	1986
Total deficit for the year	\$	<u>4,030</u>	<u>4,496</u>

The Treasury Board of the Government of Québec pays a grant for financial assistance to the Régie established as follows:

- The Régie presents its grant application upon presentation of the annual budget;
- The Government pays 75% of the expected grant during the year;
- Upon presentation of the Régie's financial statements, the Government pays the balance needed to compensate the deficit, to the extent of the maximum provided in the budget;
- If, in a year, the deficit should exceed the expected grant, the difference will be paid by the Government in the following year by increasing the following year's budget balancing grant proportionally;
- If payment of the first 75% of the grant should result in a surplus, the Government will recover the surplus by reducing the following year's grant proportionally.

5. Fixed Assets

	1987		1986	
	Cost	Net	Cost	Net
Equipment	\$ 5,749	1,103	5,473	1,242
Electrical appliances	1,321	3	1,321	4
Outside electronic display boards	1,239	692	1,239	816
Specific and leasehold improvements	10,731	4,830	10,510	5,723
Artificial turf — Stadium	1,955	979	1,955	1,224
Rolling stock	785	488	370	135
Projects in process	1,063	1,063	165	165
	<u>\$ 22,843</u>	<u>9,158</u>	<u>21,033</u>	<u>9,309</u>
Accumulated depreciation	\$	<u>13,685</u>		<u>11,724</u>

6. Long-Term Debt

	1987	1986
Bonds, interest at 11.10% payable semi-annually, maturing on September 24, 1992	\$ <u>5,000</u>	\$ <u>—</u>

Bonds are secured by the Province of Québec.

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Auditors' Report

To the Minister responsible for the
Régie des installations olympiques

We have examined the balance sheet of the Construction Fund of the Régie des installations olympiques as at October 31, 1987 and the statement of changes in cash resources for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Construction Fund of the Régie des installations olympiques as at October 31, 1987 and the changes in its financial position for the year then ended in accordance with the principal accounting practices described in Note 3, applied, on a basis consistent with that of the preceding year.

Raymond, Chabot, Martin, Paré

Chartered Accountants

Montréal
December 16, 1987

Construction Fund
Changes in Cash Resources
Year ended October 31, 1987
(In thousands of dollars)

	1987	1986
Financing		
Contributions received from the Special Olympic Fund	\$ 72,878	66,530
Long-term loan	2,773	
Proceeds from long-term loan transferred to the Special Olympic Fund	(2,773)	
Repayment of long-term debt	(32,000)	
Source of cash	<u>40,878</u>	<u>66,530</u>
Investment		
Construction disbursements	(40,647)	(69,817)
Recovery of the advance on construction contract	4,918	9,488
Proceeds from sale of fixed assets	8	
Proceeds from sale of fixed assets transferred to the Special Olympic Fund	(8)	
Net change in other assets and liabilities	21	213
Use of cash	<u>(35,708)</u>	<u>(60,116)</u>
Increase in cash	5,170	6,414
Cash position, beginning of year	(5,197)	(11,611)
Cash position, end of year	\$ <u>(27)</u>	<u>(5,197)</u>
Cash position		
Cash	\$	3
Bank overdraft	(27)	
Short-term loans		(5,200)
	\$ <u>(27)</u>	<u>(5,197)</u>

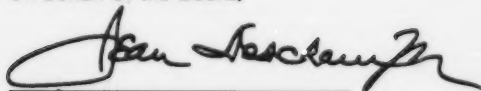
Construction Fund**Balance Sheet**

October 31, 1987

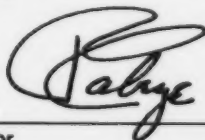
(In thousands of dollars)

	1987	1986
Assets		
Construction cost — installations (Note 4)	\$ 1,199,795	1,168,432
Interest on long-term debt capitalized	16,160	16,160
	<u>1,215,955</u>	<u>1,184,592</u>
Contributions received (Note 5)	(720,895)	(650,790)
	<u>495,060</u>	<u>533,802</u>
Other assets		
Cash		3
Advance on construction contract	459	5,377
Prepaid expenses	4	4
Expenses to be assumed by the Special Olympic Fund (Note 6)	128,981	154,384
	<u>129,444</u>	<u>159,768</u>
	<u>\$ 624,504</u>	<u>693,570</u>
Liabilities		
Bank overdraft	\$ 27	
Long-term debt (Note 7)	604,211	660,688
Short-term loans		5,200
Accounts and commitments payable	2,010	11,294
Holdback on construction contract	3,000	3,000
Due to the Revenue Fund	86	65
Accrued interest	15,170	13,323
	<u>\$ 624,504</u>	<u>693,570</u>

On behalf of the Board,



Director



Director

**1. Governing Statute and
Nature of Operations**

The Régie des installations olympiques, a mandatory corporation of the Government of Québec, is the owner of all movable and immovable installations provided for the Games of the XXIst Olympiad, the Olympic Village and the Centre Paul-Sauvé and was given the responsibility of carrying on the construction and equipping of the aforesaid installations.

The Régie's revenue must primarily be used for its operations. Any excess funds are to be used for the repayment of loans, advances or other obligations of the Régie concerning the completion of the olympic installations. As soon as the above-mentioned loans and advances and other obligations are satisfied, the olympic installations will become the property of the City of Montréal.

2. Associated Organization

The Special Olympic Fund was constituted by the Act to establish a Special Olympic Fund. This Fund was created to collect from the Minister of Revenue of Québec the special tax on tobacco, the proceeds from the sale of the fixed assets of the Régie's Construction Fund and formerly, the net receipts reserved for Québec from Loto-Canada.

Managed by the Minister of Finance of Québec, this Special Fund is to be used solely for the repayment of the Régie's loans and related interest and for the completion cost of the olympic installations.

**3. Principal accounting
practices****Construction cost — installations**

Excluding the land on which the olympic installations are built and the cost of the installations of the Centre Paul-Sauvé, the cost includes construction, administrative and financing costs and all issue expenses related to long-term debt incurred since the beginning. The cost of machinery and equipment used during the construction period has also been charged to the construction cost of the installations.

Sale of assets

When assets accounted for in the Construction Fund are sold, their costs and the corresponding contributions are not written off. However, the proceeds are remitted to the Special Olympic Fund in accordance with the act governing this Fund.

Contributions received

The Régie's policy is to not charge to its operating revenue the depreciation of the construction cost of the Olympic Park and Olympic Village installations, which is reduced by contributions received.

The contributions received in addition to direct contributions received from associated organizations include contributions received from the Special Olympic Fund for the repayment of debt and also for completion cost not financed by long-term loans.

Contributions received exclude interest on long-term debt and on short-term loans and possible additional disbursement resulting from the fluctuation of the exchange rate at the time of the repayment of debt in foreign currency which are assumed directly by the Special Olympic Fund.

Foreign currency translation

The long-term debt of the Construction Fund includes some loans payable in US currency. These loans are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. In subsequent years, the gain or loss on translation will increase or decrease the expenses to be assumed by the Special Olympic Fund.

Expenses charged from the Revenue Fund

The Régie charges to the Construction Fund all direct and indirect administrative expenses related to the completion of installations and the settlement of preolympic files.

Notes to Financial Statements

October 31, 1987

(Tables are in thousands of dollars.)

3. Principal accounting practices (Continued)		Claims The Régie does not account for claims against third parties until the receipt of payment.	
		Commitments payable The Régie accounts for goods as expenses upon the issuance of purchase orders.	
4. Construction Cost – Installations			
		1987	1986
Olympic Park			
Balance, beginning of year	\$	1,068,387	991,420
Completion cost		30,364	70,394
Financial and long-term debt issue expenses		851	6,573
Balance, end of year		1,099,602	1,068,387
Olympic Village			
Balance, beginning of year		100,045	103,195
Completion cost		148	(3,150)
Balance, end of year		100,193	100,045
	\$	1,199,795	1,168,432
5. Contributions Received			
		1987	1986
Special Olympic Fund	\$	458,884	388,779
Comité organisateur des Jeux Olympiques		191,362	191,362
City of Montreal		70,649	70,649
	\$	720,895	650,790
6. Expenses to be assumed by the Special Olympic Fund			
		1987	1986
Interest accrued on loans	\$	15,170	13,323
Deferred exchange loss on long-term debt in foreign currency		113,811	141,061
	\$	128,981	154,384
7. Long-term Debt			
		1987	1986
Promissory notes, interest at annual bank prime rate less ½ of 1% payable semi-annually, maturing on June 3, 1990	\$	35,000	60,000
Bonds, interest at annual bank prime rate less ½ of 1% payable semi-annually, maturing on July 10, 1990		43,000	50,000
Bonds, interest at annual bank prime rate less ½ of 1% payable semi-annually, maturing on December 1, 1991		50,000	50,000
Promissory notes of \$250,000,000 in US currency, interest at London Interbank offered rate payable quarterly, maturing in November 1994		328,875	347,700
Promissory notes of \$40,000,000 in US currency, interest at 7.9866% payable annually, maturing on February 21, 1994		52,620	55,632
Bonds of \$100,000,000 in CAN currency, interest at 9.6% payable semi-annually, maturing on November 17, 1993 (a)		94,716	
Promissory notes of \$70,000,000 in US currency, annual interest rate of ¼ of 1% over the London Interbank offered rate			97,356
	\$	604,211	660,688

**Construction Fund
Notes to Financial
Statements**

October 31, 1987

(Tables are in thousands
of dollars.)

7. Long-term Debt (continued)

All promissory notes and bonds are secured by the Province of Québec.

The instalments on the principal of the long-term debt for the next five years are \$78,000,000 in 1990 and \$50,000,000 in 1992.

- a) These bonds for an amount of \$100,000,000 in Canadian currency are the object of a currency exchange agreement (Swap). At the time of the loan, the Régie and a bank agreed to exchange \$100,000,000 in Canadian currency against \$72,000,000 in US currency. This loan was principally used to refinance promissory notes for \$70,000,000 in US currency.

Under the exchange agreement, the Régie repays the bank semi-annually interest accrued on the principal of \$72,000,000 in US currency at the rate of 7.81% while the bank pays the Régie interest accrued at the rate of 9.6% on a sum of \$100,000,000 in Canadian currency. Subsequently, the Régie pays interest to the bearer of the bonds in Canadian currency. On the maturity of the exchange agreement and the loan, the Régie will repay the bank \$72,000,000 in US currency while the bank will repay the Régie a sum of \$100,000,000 in Canadian currency and the Régie will repay the bonds of \$100,000,000 in Canadian currency. Consequently, this loan is translated into Canadian dollars at the exchange rate in effect at the balance sheet date.

8. Contingencies

Lawsuits and claims have been initiated by or against the Régie. As at October 31, 1987, unsettled lawsuits and claims pending against the Régie total approximately \$3,000,000 (\$29,000,000 in 1986). During the financial year, a decision in favor of the Régie not involving any disbursement was rendered in respect of one of these lawsuits amounting to \$24,000,000. However, the applicant has begun proceedings to appeal this decision.

Based on an analysis, the current provision of \$618,000, presented with the accounts and commitments payable, is considered sufficient for all the files. Any difference between the amount paid and the provision will be charged to the cost of olympic installations.

9. Subsequent event

Subsequent to the end of the financial year, the Régie received a claim totalling \$18,000,000 related to the completion of the roof and mast of the Olympic Stadium. This claim is not documented yet and will be studied later.

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Notice to Reader

The financial statements of the Special Olympic Fund for the year ended October 31, 1987, prepared by the officers of the Department of Finance of Québec, who are responsible for the management of the Fund, have not been audited. However, this Fund's financial statements are subject to an annual audit as at March 31 by the Auditor General of Québec.

Special Olympic Fund
Changes in Financial
Position

From November 1, 1986
to October 31, 1987
(In thousands of dollars)
(Unaudited)

	1987	1986
Source of Funds		
Special tax on tobacco (Note 1)	\$ 117,677	115,132
Revenue from Loto-Canada		14,594
Proceeds from short-term loans, Construction Fund of the Régie des installations olympiques (Note 2)	24,650	237,012
Interest on short-term investments and bank deposits	534	45
Proceeds from the sale of fixed assets of the Construction Fund of the Régie des installations olympiques	8	
Proceeds from long-term loans	100,000	359,627
Realization of short-term investments		13,700
	242,869	740,110
Application of Funds		
Repayment of principal of the long-term debt, Construction Fund of the Régie des installations olympiques	129,227	359,627
Repayment of principal of the short-term debt, Construction Fund of the Régie des installations olympiques (Note 2)	29,850	243,412
Short-term investments		13,700
Interest on short-term debt, Construction Fund of the Régie des installations olympiques	75	1,120
Interest on long-term debt, Construction Fund of the Régie des installations olympiques	46,541	54,365
Completion cost of the olympic installations	35,677	60,131
	241,370	732,355
Increase in funds	1,499	7,755
Fund balance (deficit), beginning of year	2,746	(5,009)
Fund balance, end of year	\$ 4,245	2,746

Special Olympic Fund Assets and Liabilities

October 31, 1987

(In thousands of dollars)

(Unaudited)

	1987	1986
Assets		
Cash	\$ 2,472	179
Short-term investments, at cost	4,889	
Receivable		
Consolidated Revenue Fund of the Province of Québec		2,566
Accrued interest	16	1
	\$ 7,377	2,746
Liabilities		
Accounts payable	\$ 3,132	
Fund balance	4,245	2,746
	\$ 7,377	2,746

**Special Olympic Fund
Notes to Financial
Statements**

October 31, 1987

(Tables are in thousands of dollars.)

(Unaudited)

Note 1

As at October 31, 1987, the Special Olympic Fund has not recorded in earnings the portion (17.974%) of the tax on tobacco collected and/or to be collected in November 1987 by the Department of Revenue, from its agents and mandataries for the month of October 1987. This accounting practice was also applied during the prior financial year.

Note 2

	1987	1986
Balance of short-term loans as at November 1	\$ 5,200	11,600
Plus		
Loans for the period	24,650	237,012
	29,850	248,612
Less		
Repayments for the period	29,850	243,412
Balance of short-term loans as at October 31	\$ —	5,200

Income Segmentation
Revenue by Site

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Revenue Fund
Income Segmentation
Year ended October 31, 1987
(In thousands of dollars)

	Sports Installations	Olympic Village	Adminis- tration	Total
Revenue				
Sports installations				
Rent and entrance fees	\$ 4,840			4,840
Parking	1,548			1,548
Apartments, commercial and office space				
Rent and parking	1,463	9,795		11,258
Fees of food concessions	1,415	19		1,434
Restaurants	741			741
Advertising	1,403			1,403
Energy cost recovered from third parties	776			776
Work and services billed to tenants	343	64		407
Tours and souvenirs	641			641
Other revenue	103	3		106
	<u>13,273</u>	<u>9,881</u>	<u>—</u>	<u>23,154</u>
Expenses				
Salaries of regular employees	4,469	472	2,061	7,002
Salaries of casual employees	1,242	82	53	1,377
Employee benefits	491	50	240	781
Service contracts	3,838	1,649	409	5,896
Materials and equipment rentals	1,245	260	86	1,591
Food and beverages for restaurants	234			234
Energy, heating, lighting and air conditioning	3,365	961		4,326
Insurance, taxes and easement	108	375	541	1,024
Self-insurance provision			170	170
Professional fees	216	32	169	417
Rights, commissions and seals	491		1	492
Interest on short-term loans			472	472
Interest on long-term debt			58	58
Tickets to events for purposes of resale	317		22	339
Stationery, printing, telephone and messenger service	325	28	95	448
Advertising	267			267
Other expenses	216	105	98	419
Depreciation	1,629	242	159	2,030
Expenses charged to the Construction Fund	(255)		(358)	(613)
	<u>18,198</u>	<u>4,256</u>	<u>4,276</u>	<u>26,730</u>
Operating surplus (deficit) *	\$ (4,925)	5,625	(4,276)	(3,576)
Exceptional items				
Proceeds from claims				150
Major repairs expenses				(604)
				(454)
Total Deficit				(4,030)
Québec Government grant				4,030
			\$	—

*The operating surplus or deficit do not take into account any depreciation expense with respect to the cost of olympic installations and interest on long-term debt of the Construction Fund. In addition, the Régie is not subject to any municipal tax assessments by the City of Montréal.

Revenue Fund
Revenue by Site

Year ended October 31, 1987

(In thousands of dollars)

	Stadium	Velodrome	Pools	Centre Paul-Sauvé	Olympic Village	Total
Sports installations						
Rent and entrance fees	\$ 3,352	452	284	752		4,840
Parking	1,180	347		21		1,548
Apartments, commercial and office space						
Rent and parking	1,425	4		34	9,795	11,258
Fees of food concessions	1,397	16		2	19	1,434
Restaurants		275	26	440		741
Advertising	1,365	30		8		1,403
Energy cost recovered from third parties	776					776
Work and services billed to tenants	230	52	30	31	64	407
Tours and souvenirs	257	192	192			641
Other revenue	103				3	106
	\$ 10,085	1,368	532	1,288	9,881	23,154

Jean Deschamps
President and General Manager

Pierre Laberge
Vice-President

Raymond Boucher*

Iolanda De Luca

Gilles Dubé

O. Jean Gratton

François Pichard

Officers

Mireille Zigby
*Secretary and Vice-President,
Legal Affairs*

Jean-Pierre Payette
*Treasurer and Vice-President,
Administration*

Guy R. Morin
Vice-President, Marketing

Serge Talbot
Vice-President, Construction

Robert Thériault
Vice-President, Operations

Claude Filion**
Director, Human Resources

* Appointed April 29, 1987.

** Appointed September 17,
1987.